

Lessons Learned - Teaming Arrangements & Payment of Fee

Situation: Contractor X and several other “co-contractors” had a teaming agreement. The award fee was paid to Contractor X, who then paid the other co-contractors. However, the award fee paid to the other co-contractors in the teaming agreement was also included in Contractor X’s accounts as a material cost and passed through the accounting system as a cost to be reimbursed from the Government. This, of course, resulted in a significant amount of excess payment of fee to Contractor X.

Root Cause: Because Contractor X’s personnel were unfamiliar with the non-standard terms of the Contractor/Co-Contractor Teaming Agreements to share the award fee, the co-contractors’ fee amounts were handled in the traditional way. That is, the paid fee amounts were included in Contractor X’s Work in Progress material account which was subsequently billed to the Government as cost. Consequently, Contractor X billed approximately several million dollars to the Government twice, once as cost and a second time as fee.

Lesson Learned: Careful review of unusual contract terms is essential. Early CAS involvement and post-award orientation conferences can pay significant dividends particularly when unusual circumstances are involved. When differing accounting or billing arrangements are involved, work closely with the cognizant auditor and alert them to the differences